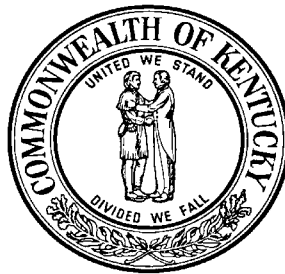


**REPORT OF THE AUDIT OF THE  
PIKE COUNTY  
SHERIFF'S SETTLEMENT – 2000 TAXES AND  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES**

**September 10, 2001**



**EDWARD B. HATCHETT, JR.  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Karen Gibson, CPA, Pike County Judge/Executive  
Honorable Charles Keesee, Pike County Sheriff  
Members of the Pike County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the Pike County Sheriff's Settlement - 2000 Taxes and 2000 Unmined Coal Taxes.

We engaged Berger & Ross, PLLC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Berger & Ross, PLLC evaluated the Pike County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett".

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure





**AUDIT EXAMINATION OF THE  
PIKE COUNTY  
SHERIFF'S SETTLEMENT—2000 TAXES  
2000 UNMINED COAL TAXES**

**September 10, 2001**

**Berger & Ross, PLLC**  
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**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**PIKE COUNTY**  
**SHERIFF'S SETTLEMENT - 2000 TAXES AND 2000 UNMINED COAL TAXES**

**September 10, 2001**

Berger & Ross, PLLC has completed the audit of the Sheriff's Settlement - 2000 Taxes and the Sheriff's Settlement 2000 Unmined Coal Taxes for Pike County Sheriff as of September 10, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

**Financial Condition:**

Sheriff collected net taxes of \$16,566,874 for the districts for 2000 taxes. Sheriff distributed taxes of \$16,563,602 to the districts for 2000 Taxes. Taxes of \$113 are due to the districts from the Sheriff and refunds of \$550 are due to the Sheriff from the taxing districts.

**Report Comment:**

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$1,613,995 To Protect Deposits.

**Deposits:**

The Sheriff's deposits were not insured and collateralized by bank securities or bonds.





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## To the People of Kentucky

Honorable Paul E. Patton, Governor  
 T. Kevin Flanery, Secretary  
 Finance and Administration Cabinet  
 Dana Mayton, Secretary, Revenue Cabinet  
 Honorable Karen Gibson, CPA, Pike County Judge/Executive  
 Honorable Charles “Fuzzy” Keesee, Pike County Sheriff  
 Members of the Pike County Fiscal Court

### Independent Auditor’s Report

We have audited the Pike County Sheriff’s Settlement - 2000 Taxes and the Sheriff’s Settlement – 2000 Unmined Coal Taxes as of September 10, 2001. These tax settlements are the responsibility of the Pike County Sheriff. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff’s Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff’s office prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Pike County Sheriff’s taxes charged, credited, and paid as of September 10, 2001, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 2, 2002, on our consideration of the Sheriff’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flanery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Karen Gibson, CPA, Pike County Judge/Executive  
Honorable Charles "Fuzzy" Keese, Pike County Sheriff  
Members of the Pike County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$1,613,995 To Protect Deposits.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
August 2, 2002

PIKE COUNTY  
CHARLES KEESEE, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 TAXES

September 10, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 1,489,183	\$ 1,335,554	\$ 4,730,769	\$ 1,666,486
Tangible	583,630	451,420	1,736,724	1,704,166
Intangible	-	-	-	182,059
Fire Acreage	7,288	-	-	-
Solid Waste	1,130,214	-	-	-
Additional Bills	2,672	2,284	7,921	5,032
Oil, Gas, Limestone, Sand, and Gravel	226,795	203,171	942,199	254,061
Total Per Sheriff's Official Receipt	\$ 3,439,782	\$ 1,992,429	\$ 7,417,613	\$ 3,811,804
<u>Other Taxes and Charges</u>				
Penalties & Interest	21,116	15,716	60,140	25,498
Franchise Corporation	259,439	208,361	844,207	-
Gross Chargeable to Sheriff	\$ 3,720,337	\$ 2,216,506	\$ 8,321,960	\$ 3,837,302
<u>Credits</u>				
Exonerations	\$ 308,273	\$ 24,888	\$ 113,633	\$ 27,910
Delinquents	950,372	177,798	741,124	256,477
Unpaid Franchise	1,761	1,381	5,827	-
Discounts	32,204	26,939	97,238	52,105
Total Credits	\$ 1,292,610	\$ 231,006	\$ 957,822	\$ 336,492
Net Tax Yield	\$ 2,427,727	\$ 1,985,500	\$ 7,364,138	\$ 3,500,810
Less: Commissions*	103,466	84,383	110,462	149,072
Taxes Due Districts	\$ 2,324,261	\$ 1,901,117	\$ 7,253,676	\$ 3,351,738
Taxes Paid	2,323,867	1,900,630	7,362,896	3,350,589
Less: Refunds (Current & Prior Year)	431	458	1,620	1,200
Add: Commission Refunds From School		-	110,462	
		**		
Refund Due Sheriff				
as of Completion of Fieldwork	\$ (37)	\$ 29	\$ (378)	\$ (51)

\* and \*\* See Page 4

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY  
 CHARLES KEESEE, SHERIFF  
 SHERIFF'S SETTLEMENT - 2000 TAXES  
 September 10, 2001  
 (Continued)

*Commissions:	10% on	\$	10,000
	4.25% on	\$	7,904,037
	1.5% on	\$	7,364,138
**Special Taxing Districts:			
Library District		\$	(12)
Health District			113
Extension Service District			(72)
			<hr/>
Due Districts (Refund Due Sheriff)		\$	<u><u>29</u></u>

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY  
CHARLES KEESEE, SHERIFF  
SHERIFF'S SETTLEMENT - 2000 UNMINED COAL TAXES

September 10, 2001

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Sheriff's Official Receipt for Unmined Coal	\$ 256,029	\$ 229,614	\$ 1,062,724	\$ 286,509
Additional Bills	1,519.00	1,146.00	6,331.00	1,920.00
Penalties	<u>244</u>	<u>215</u>	<u>1,014</u>	<u>277</u>
Gross Chargeable to Sheriff	<u>\$ 257,792</u>	<u>\$ 230,975</u>	<u>\$ 1,070,069</u>	<u>\$ 288,706</u>
<u>Credits</u>				
Exonerations	\$ 318	\$ 285	\$ 1,320	\$ 356
Delinquents	4,458	3,998	18,506	4,989
Discounts	<u>4,163</u>	<u>3,735</u>	<u>17,282</u>	<u>4,659</u>
Total Credits	<u>\$ 8,939</u>	<u>\$ 8,018</u>	<u>\$ 37,108</u>	<u>\$ 10,004</u>
Net Tax Yield	\$ 248,853	\$ 222,957	\$ 1,032,961	\$ 278,702
Less: Commissions*	<u>10,576</u>	<u>9,476</u>	<u>15,494</u>	<u>11,845</u>
		-		
Taxes Due Districts	\$ 238,277	\$ 213,481	\$ 1,017,467	\$ 266,857
Taxes Paid	238,277	213,481	1,032,961	266,857
Add: Commission Refunds From School	<u>-</u>	<u>-</u>	<u>15,494</u>	<u>-</u>
Due Districts or (Refund Due Sheriff) as if Completion of Fieldwork	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
*Commissions:	4.25% on	\$ 750,512		
	1.5% on	\$ 1,032,961		

The accompanying notes are an integral part of these financial statements.

PIKE COUNTY  
NOTES TO FINANCIAL STATEMENT

September 10, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue, which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue, which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 13, 2000, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$1,613,995 of public funds uninsured and unsecured.



PIKE COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 September 10, 2001  
 (Continued)

Note 2. Deposits (Continued)

The county's official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 13, 2000.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 6,761,750
Federal Deposit Insurance Corporation Coverage	100,000
Uncollateralized and uninsured	<u>1,613,995</u>
Total	<u>\$ 8,475,745</u>

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2000. Property taxes were billed to finance governmental services for the year ended June 30, 2001. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 31, 2000 through June 2, 2001.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2000. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 28, 2000 through June 2, 2001.

Note 4. Interest Income

The Pike County Sheriff earned \$4,628 as interest income on 2000 taxes. As of August 2, 2002, the Sheriff owes \$11 in interest to the school district and \$113 in interest to the fee account from the Real Property Tax account, and the Sheriff is due \$13 in interest from the school district and due \$144 from the fee account for the Unmined Coal Tax account.

Note 5. Sheriff's 10% Add-On Fee

The Pike County Sheriff collected \$83,658 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

PIKE COUNTY  
NOTES TO FINANCIAL STATEMENT  
September 10, 2001  
(Continued)

Note 6. Advertising Costs And Fees

The Pike County Sheriff collected \$4,074 of advertising costs allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments and Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2000 taxes, the Sheriff had \$2,294 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION



PIKE COUNTY  
CHARLES "FUZZY" KEESEE, SHERIFF  
COMMENT AND RECOMMENDATION

September 10, 2001

STATE LAWS AND REGULATIONS:

The Sheriff Should Require Depository Institutions To Pledge or Provide Sufficient Collateral To Protect Deposits

---

On December 13, 2000, \$1,613,995 of the Sheriff's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the Sheriff require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*Sheriff's Response:*

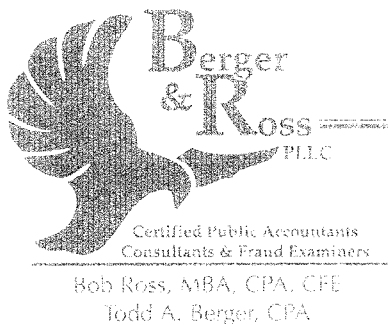
*Talked to bank and the problem has been solved.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







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Kentucky Society of Certified Public Accountants  
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Honorable Charles "Fuzzy" Keesee, Pike County Sheriff  
Members of the Pike County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the Pike County Sheriff's Settlements - 2000 Taxes and 2000 Unmined Coal Taxes as of September 10, 2001, and have issued our report thereon dated August 2, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Sheriff's Settlements - 2000 Taxes and 2000 Unmined Coal Taxes as of September 10, 2001 are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Sheriff Should Require Depository Institutions To Pledge Or Provide Additional Collateral Of \$1,613,995 To Protect Deposits.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed -  
August 2, 2002

